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... Bastion of Knowledge...

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OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

UNIVERSITY EXAMINATIONS

2019 /2020 ACADEMIC YEAR

...2.... YEAR1... SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 215

COURSE TITLE: BUSINESS LAW 11 (MAIN EXAM)

DATE: 13/ DEC /2019

TIME: 2.00-5.00pm

INSTRUCTION TO CANDIDATES

- Answer Question **ONE** and any other **TWO** questions
- Question **ONE** carries 30 marks

QUESTION ONE

- a) Discuss the various ways of forming an agency relationship (15 MARKS)
- b) Explain the different kinds of partners (10 MARKS)
- c) Explain circumstances an agent would be personally liable to 3rd parties (5 MARKS)

QUESTION TWO

- (i) “A contract of insurance is a contract of “*Uberrimae fidei* (utmost good faith)”. Explain this statement. (6 marks)
- (ii) Briefly state the various kinds of crossing on a cheque. (4 marks)
- (iii) Mr. Karanja signed blank cheques and left them with his wife to draw cash while he was away attending to business affairs. Mrs Karanja instructed Hatari, a clerk in the firm of Karanja and Karanja Associates to fill in the cheques. Hatari filled in the amount leaving a gap after the words “Sh.” and wrote the amount in words from the middle of the line without using a capital letter. Hatari showed the cheques to Mrs Karanja written “Sh. 50,000” and fifty thousand only.” He was authorized to encash the cheque. However before presenting the cheque for payment Hatari added figure “3” to the amount in figures and “three hundred” in the words. He encashed the chequed for Sh. 350,000. He then gave Mrs. Karanja Sh. 50,000 only. These facts have come to light after Hatari’s resignation and Mr. Karanja intends to sue his bankers.
Advise the bank. (10 marks)

QUESTION THREE

- (a) Explain the remedies available to an unpaid seller against:
 - (i) The goods; (6 marks)
 - (ii) The buyer under the Sale of Goods Act. (4 marks)
- (b) In relation to the Sale of Goods Act, explain the circumstances when:
 - (i) A buyer may reject the goods and repudiate the contract (6 marks)
 - (ii) The buyer may lose the right to reject the goods. (4 marks)

QUESTION FOUR

- a) Discuss the obligations of an agent (10 marks)

b) Discuss the ways of terminating an agency relationship

(10 marks)

QUESTION FIVE

(a) Describe the advantages of carrying on business as a partnership as opposed to a limited liability company. (10 marks)

(b) You have been asked to draft a partnership deed for a small retail firm of five partners. State the matters, if any, that you will omit from the partnership deed on the basis that they are implied by the Partnership Act (Cap 29) Laws of Kenya. (10 marks)